

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 USIE-00 INRE-00 ERDA-05 AID-05
CEA-01 COME-00 EPG-02 FEAE-00 FPC-01 H-01 INR-07
INT-05 L-03 NSC-05 OMB-01 PM-04 OES-07 SP-02
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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC IMMEDIATE 4579

INFO AMEMBASSY DOUALA IMMEDIATE

AMEMBASSY BONN

C O N F I D E N T I A L KINSHASA 6535

E.OJV 11652: GDS

TAGS: EINV, CG

SUBJECT: CONGO (B) COMPENSATION FOR MOBIL AND TEXACO

REF: STATE 160927

1. SUMMARY: LOCAL TEXACO REP CASTELEYN BRIEFED EMBASSY ON RESULTS OF DISCUSSIONS WITH HYDRO-CONGO REGARDING NATIONALIZATION OF TEXACO MARKETING OPERATION IN BRAZZAVILLE. FROM HIS REPORT IT APPEARS THAT THE CONGOLESE ARE READY TO CONCLUDE AN AGREEMENT AS SOON AS POSSIBLE IN THE INTERESTS OF MAINTAINING THEIR SUPPLY TIES WITH TEXACO AS WELL AS FOR POLITICAL REASONS. END SUMMARY.

2. THE CONGOLESE, WORKING THROUGH THE STATE OWNED HYDRO-CONGO, OFFERED TWO ALTERNATIVE FORMULAE FOR COMPENSATION, 45 PERCENT OF THE TOTAL CLAIM FOR THE TEXACO MARKETING OPERATION, OR NEGOTIATION OF EACH LINE ITEM OF THE CLAIM. IT WAS MADE CLEAR THAT THE 45 PERCENT FIGURE, WHICH ROUGHLY EQUALS THE BOOK VALUE OF TEXACO'S HOLDINGS AND WAS BILLED AS THAT WHICH SHELL ACCEPTED, IS NOT NEGOTIABLE, AND THAT IF IN FACT EACH LINE ITEM WERE TO BE NEGOTIATED IT COULD TAKE SEVERAL MONTHS OR POSSIBLY YEARS, ESPECIALLY SINCE THE
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BOOKS AND OTHER RECORDS OF THE TEXACO OPERATION ARE NO LONGER AVAILABLE. IN PRELIMINARY DISCUSSIONS THE CONGOLESE IMMEDIATELY REJECTED TEXACO'S CLAIM FOR LOSS OF BUSINESS (AMOUNT EQUAL TO REVENUES FOR THE LAST FIVE YEARS) AS WELL AS THEIR VALUATION OF LUBRICANT STOCKS AND SEVERAL OTHER LINE ITEMS. CASTELEYN GAVE THE VALUE OF THE CLAIM FOR THEIR CONGO OPERATION AS 760 MILLION CFA FRANCS OR APPROXIMATELY \$3.4 MILLION.

3. THE CONGOLESE ALSO MADE CLEAR THAT WHILE TECHNICALLY AN INVENTORY OF TEXACO'S HOLDINGS SHOULD HAVE BEEN MADE AND A FORMAL REQUEST FOR COMPENSATION SENT THROUGH THE APPROPRIATE MINISTRY THEY WERE CONFIDENT THAT IF A GENTLEMEN'S AGREEMENT COULD BE REACHED BETWEEN TEXACO AND HYDRO-CONGO THERE WOULD BE NO PROBLEMS WITH THE GOVERNMENT. THE CONGOLESE WERE IN CONTACT WITH THE MINISTER OF ENERGY THROUGHOUT THE NEGOTIATIONS AND ALL MODIFICATIONS IN PROPOSALS APPEAR TO HAVE BEEN CLEARED WITH HIM.

4. TEXACO DOUALA HAS FORWARDED THE CONGOLESE PROPOSAL TO THEIR AFRICA HEADQUARTERS IN CORAL GABLES FOR REACTION, WHICH CASTELEYN DOES NOT BELIEVE WILL QUICKLY BE FORTHCOMING AS THERE WILL OF NECESSITY BE INTRACOMPANY DISCUSSIONS AND THE MOST KNOWLEDGEABLE PERSON ON THE SUBJECT IS CURRENTLY ON LEAVE OUTSIDE THE US. HE DID, HOWEVER, HAVE THE DISTINCT IMPRESSION THAT THE CONGOLESE HAD BEEN PREPARED TO SIGN AN AGREEMENT THEN AND THERE HAD THE TEXACO REPS HAD THE AUTHORITY. DISCUSSION OF COMPENSATION FOR TEXACO'S STORAGE OPERATIONS AT POINTE NOIR AND BRAZZAVILLE WILL FOLLOW AT A LATER DATE.

5. THE CONGOLESE MADE A POINT OF THE FACT THAT THEY WISHED TO MAINTAIN GOOD RELATIONS WITH TEXACO AND HOPED TO CONTINUE TO PURCHASE SUPPLIES SUCH AS CRUDE AND LUBRICANTS FROM TEXACO. CASTELEYN WAS NOT OVERLY IMPRESSED WITH THIS ARGUMENT BUT DID NOTE THAT TEXACO WAS THE FIRST COMPANY TO BE ASKED TO NEGOTIATE WITH THE CONFIDENTIAL

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CONGOLESE SINCE THE SHELL SETTLEMENT AND THAT THEY ARE TO BE FOLLOWED BY MOBIL (WE HAVE NOT BEEN ABLE TO CONFIRM THIS WITH LOCAL MOBIL REPS) AND TOTAL (A FRENCH CONCERN) IN THAT ORDER. THE FRENCH FIRM IS NOT PARTICULARLY HAPPY ABOUT THIS SITUATION AND HAS ASKED TO WITHDRAW THE TECHNICAL ASSISTANT THAT THEY HAD BEEN SUPPLYING TO THE BRAZZAVILLE REFINERY. THE REFINERY IS NOT YET ONSTREAM AND IT WILL BE SEVERAL MORE MONTHS BEFORE IT IS.

6. CASTELEYN ALSO PROVIDED AN OVERALL ASSESSMENT OF THE CURRENT SITUATION IN CONGO (B) SAYING THAT YHOMBI-OPANGO IS MAKING A CONCERTED EFFORT TO MOVE TO THE CENTER, BUT THAT HE STILL IS GETTING OPPOSITION FROM LEFT WING MEMBERS OF THE PARTY AND FOR THAT REASON MUST PROCEED SLOWLY. THE ATMOSPHERE IN BRAZZAVILLE WAS DECIDEDLY FRIENDLY BUT THINGS ARE STILL A BIT DISORGANIZED. THE NEGOTIATING SESSIONS WITH THE CONGOLESE RAN FROM 6 AM TO 10PM WITH THE CONGOLESE SIDE HAVING TO BREAK OUT PERIODICALLY FOR UNRELATED MEETINGS WHILE THE TEXACO PEOPLE REMAINED ON STANDBY. CUTLER

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